maximum of taxation is limited by the point at which the satisfaction resulting from further public expenditure is at least equal to the sacrifice involved in raising further public income. It is on these principles that we have endeavoured to frame the Budget that is now before the House.

ACTUALS OF 1116

I shall begin by offering a few remarks on the actuals of 1116 and the revised figures for 1117 and then proceed to review in some detail the influence of the various forces working on our budgetary prospects for the ensuing year. While the budget estimates for revenue and expenditure for the year 1116 *viz.*, Rs. 114·50 lakhs and Rs. 108·97 lakhs were expected to result in a surplus of Rs. 5·53 lakhs, the actual transactions of the year, however, gave an increased surplus of Rs. 12·04 lakhs from which a sum of Rs. 10 lakhs has been transferred to Revenue Reserve Fund. The realised revenue and the real expenditure were thus Rs. 121·46 lakhs and Rs. 109·42 lakhs respectively (excluding the transfer to R. R. Fund) thus showing an improvement of over Rs. 6·51 lakhs on our expectations of a year ago. I would hasten to add that this was not brought about by any under-estimating of the income or over-estimating of the expenditure—a charge generally levelled against the Government on such occasions—but due solely to unforeseen and unforeseeable windfalls under Income-tax, Railway, Public Works, Forests, etc., and to the strict and severe control exercised over all routine expenditure though spending liberally at the same time to render timely help to the destitute and the public in general who were affected by the unprecedented cyclone which swept over several parts of the State in Edavam last year.

The State had, after making due provision for all liabilities a net asset of Rs. 113·06 lakhs at the end of 1116, as against Rs. 111·02 lakhs at its beginning.

REVISED ESTIMATE OF 1117

Under such auspices it was that the year 1117 started; and it budgetted for a total revenue of Rs. 113·48 lakhs and a total expenditure of Rs. 108·96 lakhs, leaving a surplus of Rs. 4·52 lakhs. But, on the basis of the actuals so far known, the revenue is expected to stand at Rs. 127·56 lakhs and the expenditure charged to revenue at Rs. 119·62 lakhs—the highest figures in the annals of our history. The current year is thus expected to close with a surplus of Rs. 7·94 lakhs, *i.e.*, Rs. 3·42 lakhs more than our anticipations.

The excess of Rs. 14·08 lakhs on the revenue side has, as usual, been brought about by an improvement under several heads, as set off by short falls under some others. I shall briefly dwell on some of the most important heads under which we expect striking variations.

First and foremost has to be mentioned the increase under "Income-tax". Hon'ble Members might feel surprised how such a result could have been brought about when we are in the midst of a destructive war with all its depressing concomitants. But I may at once clear the position by pointing out that the receipts relate to 1116, when the developments of the war brought comparatively large unearned profits to our merchant princes which, with the revised rates of taxation and the introduction of the Excess Profits Tax are expected to give us a much needed enhanced income without putting the common people to any additional sacrifice.

Next comes "Railway" the revenue under which is expected to yield an improved return of Rs. 3·83 lakhs over the budget estimate of Rs. 20 lakhs on account of increased traffic.

The next item in importance is "Forests" the receipt under which promises to reach the high water mark in the revenue of the department realised for over a decade, *viz.*, Rs. 8·65 lakhs as compared with the budget estimate of Rs. 6·54 lakhs brought about by the sharp rise in demand for the use of soft wood and better prices obtained therefore besides the income brought by the collection and sale of numerous trees up-rooted by the Cyclone.

The appreciable increase of Rs. 1·15 lakhs noticed under "Miscellaneous" is only apparent in that it is the outcome of the proposed transfer of Rs. 1 lakh from the Revenue Reserve Fund for payment to the H. M. I. S. Cochin Fund.

The increases under other heads are too small to require any mention here.

The only head which anticipates an appreciable fall in revenue is "Land Revenue" and even this is only the outcome of the deep interest which the Government take in the well-being of the agricultural population of the State. As I stated elsewhere the cyclone of last year caused widespread suffering among the subjects and hence a liberal remission was granted to mitigate the distress of the ryots affected by the failure of crops which thus caused a fall of Rs. 0·58 lakh in the anticipated income of Rs. 12·63 lakhs.

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The expenditure side of the revenue account anticipates an abnormal increase of Rs. 10·66 lakhs over the budget estimate of Rs. 108·96 lakhs. This large increase in expenditure has been necessitated mostly by the circumstances of the world situation. We had to embark on a comprehensive scheme of air raid protection, the possible evacuation of civil population, etc., which have cost us nearly Rs. 5 lakhs as may be seen from the revised estimate under "Miscellaneous" and which had not been anticipated at the time of the budget. Again, besides the usual contribution of Rs. 1,20,000 to H. E. the Viceroy's War Fund a sum of Rs. 1 lakh from the Revenue Reserve Fund is proposed to be paid for the H. M. I. S. Cochin Fund.

Corresponding to the large increase in Railway earnings the expenditure for the Railway maintenance is expected to mount up and exceed the budget estimate of Rs. 13·90 lakhs by Rs. 1·89 lakhs.

Large increases in expenditure are expected also under "Forest" and "Income-tax", the former due to the higher collection charges for the larger quantity of timber to be extracted for sale and the latter due to the increased provision for "Refunds" probable on account of the large increase expected under "Income-tax". It is a matter for congratulation that in spite of such unprecedented increase in expenditure even to the tune of Rs. 10·66 lakhs we are left with a safe surplus owing to corresponding increases in revenue and to the strict control exercised over expenditure.

Capital Outlay.—Two important schemes of Capital Outlay, which promise great benefit to the people, were undertaken during the year, *viz.*, the purchase of Pallivasal electric power and the Anamalais road work. The benefits resulting from both the undertakings have been explained at length in the Council on former occasions and it is not necessary for me to dilate on them here. Suffice it to say that in spite of the various handicaps which tie the hands of Government from undertaking Capital ventures they have striven their utmost to start them wherever they struck them as calculated to ameliorate the economic condition of the people at large.

The year is expected to close with a net surplus of Rs. 121 lakhs.

BUDGET ESTIMATE OF 1118

I now turn to the budget estimate of the new year which would thus start with a balance of Rs. 121 lakhs.

Before tiring the House with the narration of the figures in the budget I hope it will not be inappropriate if I make an endeavour to acquaint them with the main principles which have guided the Government in the preparation of their budget estimates.

First and foremost Government had concluded after much deliberation that the budget should be a "nation saving" budget wherein all the means made available to the Government by pooling their resources, augmenting their revenue and economising their expenditure should be directed to meet the pressing needs of the hour. The times are out of joint; the fate of nations hangs in the balance; danger threatens every country—small or large—and enemy strategy is likely to mark out the "Queen of the Arabian Sea" as their special objective. It is the part of wisdom therefore to take time by the forelock and be prepared for contingencies arising out of enemy action. The one striking feature that must occur to any one who even casually peruses the budget is therefore the provision made for air raid precautions and kindred civil defence measures.

Ample provision has been made for taking all possible air raid precaution measures at important places. We propose to spend in the current year nearly Rs. 2·5 lakhs for these precautionary measures and more than a lakh of rupees for the evacuation of civilian population to the chosen centres. For the coming year we have allotted about Rs. 2·5 lakhs for continuing these activities which are so essential for the protection of the public.

Besides ensuring such protection from possible air raids every effort is being made for the maintenance of perfect internal security. The need for maintaining internal security is, indeed, no less urgent considering that people are today more afraid of internal disorder following probable enemy raids than of the raids themselves. Demands have hence been made in the estimates of the current year and of the ensuing year for voluntary service of special guards and the strengthening of the Police and Military forces. It is estimated that these would cost about Rs. 1·27 lakhs in the current year and Rs. 1·8 lakhs next year.

The effect of war on our finances is also discernible in the provision made to meet increased expenditure on account of grain compensation or dearness allowance to all the employees on a pay of Rs. 25 or less as a result of the increase in the cost of living. The allowance which was originally fixed at Re. 1 has been raised to Rs. 2 from the last month and it

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